

The PRESIDING OFFICER. The Senator from Washington.

WISDOM OF RENEWING MFN

Mr. GORTON. Madam President, tomorrow the House of Representatives will debate the renewal of most-favored-nation trading status for China. It is about to vote, as the President wishes, in favor of renewing MFN.

Knowing that MFN was to be at issue this summer, earlier in the spring I wrote to nearly 350 of my constituents, mostly business people and academics particularly interested in trade with China. In my letter, I explained my frustration with China's consistently autarkic market practices, and told them that I had serious concerns about the wisdom of renewing MFN for China. China has established an egregious prohibition on Washington State wheat, while market access for our apples has been blocked by arbitrary quotas and tariffs. Moreover, China continues to bleed our software industry with its state-sponsored pirating of United States intellectual property. With this in mind, I asked my constituents to share their views with me, and I now believe it appropriate to share my own with my colleagues and constituents, as it seems unlikely that this issue will come formally before the Senate.

To the 341 letters I sent, I received 195 responses, and of those responses 12 were against renewal.

From Pacific Northwest wheat growers, who are denied access to the Chinese market on totally specious grounds, I heard this: "Despite the fact that Washington producers are still unable to participate in the wheat export to China, [we] are in full support of granting China MFN for another year."

From Washington State's apple, pear, and cherry growers, who face tremendously unfair barriers in gaining access to Chinese markets: "We are in an industry that lives on exports . . . this business requires as normal a trading regime as possible between our country and potential markets."

From the software industry, which continues to hemorrhage because of Chinese piracy: "The flagrant violation of U.S. intellectual property rights is of primary concern to [us] . . . we are concerned [however] that failure to renew MFN at this time will constitute too big a blow to the remaining threads of the U.S. relationship with China."

The Boeing Company certainly benefits from trade with China, as well—it predicts that Asia will be the largest market for airplanes in the next 50 years. In Washington State, Boeing has close to 300 subcontractors that provide it with goods and services. And those small companies, like Bumstead Manufacturing in Auburn, Stoddard-Hamilton in Arlington, and Dowty Aerospace in Yakima, all depend on Boeing selling its airplanes for their own well-being.

Even the Port of Longview has an interest in American trading with China.

Archer-Daniels Midland Corporation intends to build a state-of-the-art facility for the export of Midwest corn to Pacific rim markets in that community. China certainly figures into that equation.

Madam President, many of the people who wrote to me believe that engaging in trade with China will lead to better trade and economic conditions in both China and America. One person argued that:

Maintaining a healthy trade partnership with China will ensure that our influence in areas such as human rights and fair trade practices survives; curtailing that partnership as a punitive measure will only lead China to lose the incentive to cooperate.

It is certainly clear, that—at least in the short-term—American companies that trade with China would be hurt if MFN were not renewed. My constituents, in their letters, made that point eloquently.

Because of my deep respect for these constituents, I would vote to extend MFN this year if the Senate were to vote on the subject, and I commend such a vote to my Washington State colleagues in the House.

But, Madam President, in casting that affirmative vote I would be wrong. I do acknowledge the importance of trade with China to the people of my State, but I want to explain why the President is wrong, and why I would be wrong, as well, to support him.

I would be wrong because the chances of China changing its dismal trading practices, or stopping its violations of United States intellectual property rights, or acceding to a freer, more open market as a result of MFN renewal are about as close to zero as you can get.

China is an unrepentant free trade rejectionist. China is one of the world's most corrupt nations. China steals our software and CD's. China arbitrarily closes its market to United States goods. And China, aside from eleventh-hour propaganda tricks, does nothing to clean up its act. For years the United States has pinned its hopes for a more cooperative, law-abiding China on MFN. MFN advocates talk about "engagement." If we only "engage" in trade with China, they argue, the Chinese will change their ways, they will come around to the idea of free trade and open markets and all that goes with them.

Many of my colleagues here in the Senate, Madam President, have been making the engagement argument for years. Back in July of 1991, for example, my distinguished friend from Rhode Island, Senator CHAFEE, said that "we want China to move toward the implementation of a market-based economy," implying that MFN was the way to do it. Senator CHAFEE also argued that "[t]o withdraw MNF would virtually destroy * * * business leaders and entrepreneurs [in the more economically liberalized southern part of China. * * * They will go down the drain because they will not have access

to the U.S. markets to sell their goods."

My friend from Montana, Senator BAUCUS, said, also in 1991, that:

Rather than isolating China from the world by cutting off economic ties, we should seek to engage China—to bring China into the 20th century.

Trade is the link that allows us to engage China. It is the bridge that allows western values into China.

If we are truly interested in reform in China, if we are truly interested in improving the lives of Chinese citizens—we should seek to expand economic ties, not to cut them off.

These words sound persuasive, do they not, Madam President? But keep in mind they were uttered 5 years ago. Five years ago our trade deficit with China was a little under \$13 billion. Now it is almost \$34 billion. We have been engaged with China that whole time, and where has it gotten us? Another \$20 billion in the hole. Will we never learn? Are we destined forever to demonstrate the triumph of hope over experience? What has the engagement of the past 5 years accomplished to cause us to parrot today the very arguments that have so signally failed in the past?

This engagement argument, Madam President, can be refuted by a cursory glance at China's wretched record on trade with America. Indeed, our trade relationship with China totally belies the assertions of those who consider MFN a tool for making China more cooperative.

Madam President, over the years, especially in the years since Tiananmen Square and the fall of the Soviet Union, many issues besides trade have been injected into the MFN debate. Human rights, nuclear proliferation and relations with Taiwan are three of the most prominent of those issues. I have chosen to stick solely to the matter of trade, but I do understand that these other concerns are at the front of many people's minds.

I say this, Madam President, by way of addressing what I consider to be a glaring error in the arguments of many MFN advocates. They argue, rightly, that the MFN debate is not the place for a discussion on China's human rights record or its practice of selling nuclear components to countries unfriendly to America. I agree with that argument. The Chinese Government gets an "F" on how it treats its citizens, and it should be severely dealt with for its shameless sales of nuclear technology to the villains of the world. But MFN is trade policy, and we should stick to trade in our arguments on its extension, be they pro or con.

That is all well and good, Madam President, but I am struck by how often MFN advocates violate their own ground rules. In an attempt to make MFN renewal more savory, the spice up their arguments with the theory that trade with China will bring democracy to China. If we keep renewing MFN, the argument goes, we will help usher in an era of freedom and democracy to

that country. That is one of the most far-fetched claims I have ever heard, and the people who are making it need to submit themselves to a reality check. Considering our current circumstances—the trade deficit, Chinese piracy and trade barriers, and all the rest—it is hard for me to believe that America is now in a position to coax China into the ways of democracy. We cannot get the Chinese to take our apples, Madam President, so how can we expect them to embrace our political values?

In other words, Madam President, let us, for the purpose of this debate, leave aside the question of trade as a precursor to democracy. We have enough on our hands just dealing with trade by itself. And I think the debate over whether MFN renewal is or is not in our long-term trade interests should be sufficient to occupy this body.

Let us look at the current trade situation. China, using a completely fraudulent rationale, bans all wheat from the Pacific Northwest, and bans practically all Washington State apples. Cherries and other fruits are not even given a chance. Mainly as a result of Chinese trade barriers to American goods, we have a \$33 billion bilateral trade deficit with China. The Chinese Government countenances widespread piracy of American intellectual property, costing United States companies over \$2 billion a year. China, in short, flouts international trade norms and mocks the basic principles of free trade.

Now, proponents of MFN will say,

Yes, things could be better, but the only way to make sure things improve is to maintain trade ties with China. By remaining economically engaged, we can pressure the Chinese to change their ways. If we cut off MFN to China, not only do we lose that market, but we forgo our leverage with the Chinese as well.

Madam President, I believe that I have already demonstrated that those who have latched onto MFN as some sort of magical instrument with which we can solve all problems are mistaken. They have not only overstated the importance of MFN, but of the Chinese market as well.

Madam President, when I listen to the arguments of those who favor renewing MFN for China I am struck by a common denominator, as it were, and that is a universal overestimation, an exaggeration, of China's economic importance to our national economy. MFN advocates would have us believe that without China our economy will be devastated. Let me say, that is not the case.

China is our 13th largest trading partner. Our trade with China accounts for less than 1 percent of our gross domestic product—0.81 percent, to be exact, hardly an earth-shattering figure. And Mr. Marcus Noland of the Institute for International Economics said in a recent Washington Post article that "Chinese imports are mostly displacing imports from Mexico,

[South] Korea, [and] Taiwan." In other words, most of the things we import from China we could just as easily import from these other nations. Nations, in the case of Mexico, South Korea, and Taiwan, that are friends and allies, with whom we have good, strong trade agreements. Each of these friends is a better and more open customer than China, by far, whose purchases of our goods and services will promptly match our increased purchases from them. And with our neighbor Mexico, for example, we know that its market is fully open to American goods—no hassles. What a contrast with China.

The trade story is quite different from the Chinese perspective. China needs the United States badly. China's trade with America accounts for well over 8 percent of its gross domestic product. While we export less than \$12 billion to China, China exports \$45.5 billion to us. The United States makes up nearly a third of China's total export market.

Now why, taking these lopsided facts into account, would China risk its own financial and economic well-being by thumbing its nose at America as it does? Only because we allow China to do so. Our solicitous, all-forgiving policy toward China can be summed up in one word: Appeasement.

How well our policy of appeasement—which its apologists call "engagement"—how well this policy is working can be demonstrated by the fact that we had a standoff with China a year-and-a-half ago on, guess what, intellectual property rights violations. And, guess what, at that time China promised to mend its errant ways. It committed to ending its piracy of American goods. Now, less than 2 years later, we are at it again. There is a song, Madam President, called "Stop Me if You Think You've Heard this One Before." That ought to be the theme for these trade negotiations. We have indeed heard from the Chinese before that they would clean up their act, stop the violations, and play by the rules.

I direct my colleagues' attention to a recent article on Chinese piracy in Business Week magazine. The article's title says it all: "A Pirate Under Every Rock." Madam President, I will read a short excerpt to illustrate just how meaningless last year's agreement was:

When China signed its Intellectual Property Rights accord with the U.S. last year, Beijing promised that it would assign inspectors to each Compact Disc plant. The government also promised that plants would print a code on their products to identify where they were produced. But during a raid on the Jin Die [Science & Technology Development Company in the south] organized by Chinese authorities and Microsoft Corp. in April, no copyright monitors were on duty. No special codes were on the goods. Workers labored around the clock, producing CD-ROMs from three unauthorized presses. The plant has an estimated 100 employees and the capacity to stamp an astounding 200,000 CDs a day. Beijing announced in early June that it might close Jin Die.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. GORTON. Madam President, I ask for an extra 4 or 5 minutes.

The PRESIDING OFFICER. Is there any objection?

Mr. EXON. What is the request?

Mr. GORTON. Four more minutes.

Mr. EXON. I say, Madam President, there are people we have lined up waiting. I thought I yielded 10 minutes. I thought that would suffice.

How much more time?

Mr. GORTON. It looks about 4.

Mr. EXON. I will agree to 2 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GORTON. That shows you, Madam President, how good China's word is, and how much we can expect from these trade agreements. The Chinese are now putting on a show of contribution for all the world to see. Its state-run television has shown tapes of bulldozers rolling over pirated CDs, and the government has announced with great fanfare that it is shocked by the piracy and is closing down dozens of counterfeiting factories. Madam President, give me a break.

That is all for show, and anyone who thinks it is a serious effort that will bring substantive results is kidding himself. Last week's ballyhooed agreement is unlikely to be more than marginally more effective than the last one.

In fact, Business Week also writes that "Chinese production capacity [for counterfeit CDs] this year will be about 200 million CDs, up from about 50 million last year." That agreement last year really did the trick, didn't it, Madam President? China has increased its counterfeit operations to four times last year's level.

Here is another important point, Madam President: A recent study, which was reported in the Washington Post and elsewhere, named China as one of the top five most corrupt countries in the world. And Business Week reports that "[m]any CD plants" in southern China "have local backers such as units of the Public Security Bureau and the People's Liberation Army."

Madam President, what we have here is a deeply corrupt country that either has no respect for, or simply cannot maintain, the rule of law.

So, knowing all of what we know about China—its corruption, its unrepentant thievery, its consistent trade violation—why on earth do we continue to coddle it? I think, Madam President, we do so because our attitude toward China is still steeped in a cold war mentality. During the cold war we placed great importance on China as a counterbalance to the Soviet threat. Now that the cold war is over, however, we have not re-assessed China's strategic importance. One could make a strong case for China's strategic importance when America strove to contain, and then roll back, the Soviet Union's influence and aggression. But today, China enthusiasts—and most MFN advocates—are

caught in a bit of a time warp. They say that China is of the utmost importance because—because—well, they cannot say because of the Soviet Union because it's gone. So they simply insert the word "trade" where "Russia" used to be and make the argument as best they can.

Madam President, that won't do for a trade policy. It is short-sighted, risky, and just plain dumb to ignore massive trade violations such as those practiced by China. We cannot go on like this forever, Mr. President, with China stealing more and more of our intellectual property rights, throwing up barriers to our goods and causing our trade deficit to go ever higher.

I hope I'm wrong. I hope that by this time next year an enlightened China will be operating in a free trade atmosphere under the rule of law, welcoming our goods and services as we do its. If so, I will be an enthusiastic supporter of renewal. But I don't believe it for a New York minute.

On the other hand, Madam President, let me say that if China has not reversed herself on these trade violations by next year, I will vote against MFN renewal. I hope my critics prove me wrong, but if not I will personally lead the fight on the Senate floor against it.

You do not encourage free trade by allowing violations of free trade. If, in fact, free trade—and not appeasement—with China is our goal, then we must let the Chinese know that they must play by the rules or face penalties. That is what we demand of our other trading partners, and that is what we should demand of China.

Mr. President, I am not at all insensitive to the exhortations of American companies who stand to lose money and contracts in the short term if MFN is not renewed. I take that very seriously, and I hope that we may have a strong, vibrant trade relationship with China—but that is possible only if China ceases its destructive practices. Now, Madam President, representing, as I do, a very trade-dependent State, it would seem the easiest thing in the world for me to go ahead and express my full support for MFN without reservation. There are certainly a lot of people who would like me better if I did. But the easiest things are not always the best, and I consider it my highest duty to think ahead to the best interests of my State and the country. And I do not think it in our best interests to continue in our current policy.

If we don't take a firm stand with China, and if China does not cease and desist, I fear that our relationship will degenerate into one in which we are the constant appeaser and China is the constant violator. In the long run, our current passivity could come back to haunt us.

A constituent and a good friend of mine has made this point eloquently. He is involved in several investment efforts in China and writes:

I believe that . . . the United States will have to take the lead for the rest of the free

trading world and stand up to China's rapacious trading behavior by denying MFN extension. I recognize that taking this position is not in my own short term interest. Nevertheless, I can't let immediate short term interest stand in the way of that which is right and that which I believe will, over the longer term, provide a superior result.

Madam President, I couldn't put it any better. For all we know, China may soon step up its illegal practices and trade violations to encompass not just intellectual property rights and agricultural products, but planes and other American products as well. We are setting a bad, potentially dangerous, pattern. We must stop it soon, or we may soon regret it.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1997

The Senate continued with consideration of the bill.

AMENDMENT NO. 4345

(Purpose: To ensure that the total amount authorized to be appropriated by the bill does not exceed the total amount of the authorizations of appropriations reported by the Committee on Armed Services)

Mr. EXON. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nebraska [Mr. EXON], for himself, Mr. KOHL, Mr. BINGAMAN, Mr. LEVIN, Mr. DORGAN, and Mr. WELLSTONE, proposes an amendment numbered 4345.

Mr. EXON. Madam President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

After section 3, insert the following:

SEC. 4. GENERAL LIMITATION.

Notwithstanding any other provision of this Act, the total amount authorized to be appropriated for fiscal year 1997 under the provisions to this Act is \$263,362,000,000.

Mr. EXON. Madam President, there are several important cosponsors of this amendment. One is on the floor at the present time. I simply inquire of the Senator from Wisconsin—and I have agreed to yield him 7 minutes—if his time will allow him to wait, I will make opening remarks. However, if the Senator is cramped for time, I will yield at this juncture.

Mr. KOHL. Madam President, I will wait for the Senator from Nebraska to deliver his opening remarks.

Mr. EXON. I thank my friend from Wisconsin for his usual courtesy.

Madam President, the amendment I have just sent to the desk is on behalf of myself, Senator BINGAMAN, Senator KOHL, Senator DORGAN, and Senator LEVIN. This amendment reduces—Madam President, reduces—the total funding level in the bill by \$4 billion. This would still allow, I emphasize, this would still allow an increase—increase—in the President's request of \$9.0 billion. A \$9 billion increase would

be allowed even if the Exon amendment is accepted. This is an increase of \$155 million—an increase of \$155 million—above this year's funding level.

To put that in perspective, I have a chart to which I will direct the attention of the Senate. It is headed "Comparison of the Fiscal Year 1997 Defense Spending Proposals." Billions of dollars are on the left side, with the first graph showing \$263.2 billion, which would be if we had just taken the whole defense budget and froze it at last year's level, \$263.2 billion. Under the Exon proposal, from the standpoint of last year, there would be an increase of something around \$200 million or up to \$263.4 billion, an increase of about \$200 million still going up in national defense over last year's expenditures.

Compare that, if you will, with this big broad green graph on the right. If we go with the defense authorization bill that is presently before the Senate, we would balloon that to \$267.4 billion for the same time period of fiscal year 1997.

Madam President, this amendment is a modest attempt, and I underline the word modest, a modest attempt to control Federal spending within reason, reduce the budget deficit and eliminate wasteful spending.

The bill before the Senate contains some \$4.6 billion more than the Pentagon requested for fiscal year 1997 or for any of the next 5 years. I think the Congress could easily be able to identify \$4 billion, either from this pork-barrel-laden \$4.6 billion or from other sources to meet the requirement of this amendment.

Madam President, we are debating legislation that increases the Pentagon's request by a whopping \$13 billion, nearly double last year's increase of \$7 billion. At a time when we are considering deep reductions in Medicare, Medicaid, education, the environment, and other programs, I find it absolutely astonishing that between last year and this year we are proposing to give the Pentagon \$20 billion more—to give the Pentagon \$20 billion more—than the Pentagon had requested. Certainly in this case it is not the Pentagon that we can blame. The Pentagon came forth in cooperation with the President with what I thought was a workable program.

Madam President, I am under no illusion whatever. I understand the dynamics and the politics of the situation. I understand that Congress will, inevitably, increase this year's defense request, although it is still uncertain whether the President will sign a bill calling for such an excessive increase of \$13 billion.

What this Senator from Nebraska is saying is, rather than \$13 billion, maybe if the President recognizes that we just reduce that to \$9 billion over his request, there may be some chance of avoiding a veto.

Before this Congress sanctions this \$13 billion increase, I think we should first examine how the majority proposes to spend it. For several weeks we